

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58024

**CITY OF COLVILLE**

Stevens County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: January 31, 1997

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**CITY OF COLVILLE**  
**Stevens County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Mayor  
City of Colville  
Colville, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of the City of Colville, Stevens County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Colville is the responsibility of the city's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the city's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

December 10, 1996

CITY OF COLVILLE  
Stevens County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Internal Control Structure  
At The Financial Statement Level**

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Mayor  
City of Colville  
Colville, Washington

We have audited the general-purpose financial statements of the City of Colville, Stevens County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the city, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

December 10, 1996

CITY OF COLVILLE  
Stevens County, Washington  
January 1, 1995 Through December 31, 1995

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Schedule Of Findings

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1. The City's Public Works Department Should Make Timely Requests For Reimbursements For Grants

During our audit of the city's grant reporting and cash management, we found that the city's public works department again failed to request grant reimbursements in a timely manner. As part of a state Department of Ecology grant to construct a new sewer system head works, the city was entitled to receive reimbursement for \$109,230 on November 30, 1995. The claim to recover these costs was not submitted until August 20, 1996.

The concept of internal control as defined in the *Budgeting, Accounting, and Reporting System* (BARS) manual, based on criteria established by the U.S. General Accounting Office, states:

An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resources use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss and misuse; and that reliable data are obtained, maintained and fairly disclosed in the reports.

The city has no system of management review to ensure that grants are billed in a timely manner.

The city lost nearly nine months of investment income on this money which we estimate to be in excess of \$4,000. Without proper management review and timely reporting, the city will continue to lose revenue from its state and federal grants and loans. A similar problem was noted during the prior audit.

We again recommend that the city establish controls to ensure timely submission of reimbursement requests.

Auditee's Response

*Please note that the City as a measure for corrective action, has hired additional personnel to assist in the construction administration process to submit timely reimbursement requests. The new employee is to start work on January 27, 1997.*

Auditor's Concluding Remarks

We appreciate the city's response to our audit finding. It appears that the concern noted in this finding is being adequately addressed. We will review the city's progress in this area during our next regularly scheduled audit.

We also wish to thank the city's officials and personnel for their assistance and cooperation during our audit.



CITY OF COLVILLE  
Stevens County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Financial Statements And Additional  
Information**

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Mayor  
City of Colville  
Colville, Washington

We have audited the accompanying general-purpose financial statements of the City of Colville, Stevens County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Colville, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 1996, on our consideration of the city's internal control structure and a report dated December 10, 1996, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

December 10, 1996